



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 06/05/01

AGENDA ITEM 4

WORK SESSION ITEM _____

TO: Mayor and City Council

FROM: City Manager

SUBJECT: Public Hearing for the Review of the Operating Budget for the City of Hayward and the Redevelopment Agency Budget for Fiscal Years 2001-02 and 2002-03, the 2001-02 Master Fee Schedule, the 2001-02 Gann Appropriation Limit and the Five Year Capital Improvement Program 2001-02 through 2005-06

RECOMMENDATION:

It is recommended that the City Council:

1. Conduct a public hearing on the 2001-03 Two-year Operating Budget, the 2001-03 Redevelopment Agency budget, the 2001-02 Master Fee Schedule, the 2001-02 Gann Appropriation Limit, and the Five-Year Capital Improvement Program 2001-02 through 2005-06.
2. Direct staff to prepare the necessary resolutions to implement Council budget decisions for Council consideration and formal action on June 19, 2001.

BACKGROUND:

Two years ago, the Council considered a two-year budget, the first in over a decade. This process yielded several benefits including the ability to develop priorities over two years versus a single year and considerable savings in staff time with respect to preparation of a budget in the second year. I am equally optimistic that this two-year budget, 2001-03 will be as useful and successful for Council as our first endeavor. Although the Recommended Budget pertains to two fiscal years, consistent with Charter provisions, approval is recommended only for the first year. The second year of the Recommended Budget, then, is considered a spending plan that will serve as the framework for the budget that will be presented next year for formal action.

For 2001-02, the budget represents expenditures of \$162.8 million for all City funds. Of this total, \$101.5 million is in the General Fund, and \$42.3 million is in the Enterprise Funds, with the balance distributed between the City's Special Revenue, Debt Service, and Internal Service funds.

The budget, which includes the Redevelopment Agency budget, was provided to the City Council in early May and has been available for public review since that time. By way of providing a summary of the overall direction of the recommended budget, the budget message presented to you in the budget document is attached for Council's reference, (Attachment A).

Council Work Sessions

Two work sessions have been held for Council review and discussion of the operating budget. Council also reviewed the Master Fee Schedule at the Council Budget Work Session of May 29, 2001. Based on comments voiced during the work sessions, certain changes in the narrative section of the operating budget are proposed, (see Attachment B).

In addition to the Operating Budget, Council has reviewed the Five-Year Capital Improvement Program (CIP) Budget. As previously noted, the Planning Commission has also reviewed the CIP and confirmed that it is consistent with the general plan. For Council's reference a copy of the budget message and summary financial schedule for the 2001-02 through 2005-06 Five Year Capital Improvement Program is included in this report, (see Attachment E).

Master Fee Schedule for 2001-02

At its May 29, 2001 work session, Council reviewed and discussed a report on the Master Fee Schedule for 2001-02 and indicated that staff's recommendations were satisfactory. For reference, the agenda report presented at the work session appears as Attachment C. Also, at the work session, the question was raised as to how several proposed new fees under the Community and Economic Development section, page 5 of Attachment C, compare to other cities. In response to this question staff has entered, in bold type, under the "Other Agencies" column, fee information for several of the new fees. This information is generally presented as a range of fees since the basis for computing the fee is not necessarily the same for each of the sample cities. Any changes that Council may wish to make as a result of the public hearing will be incorporated into the Master Fee Schedule and reflected in the June 19, agenda report.

As a result of increases in water charges of 6% approved by San Francisco, it is necessary to adjust fees to Hayward water customers. In addition, the Water Fund must respond to increased costs in other areas such as supplies and services and provide funds for replacement of the water system infrastructure. As shown in accompanying charts, the increased cost to a typical single family customer will average \$1.62 per month. Even with the adjustment, Hayward will continue to have among the lowest water charges in the area.

It is also proposed that sewer service charges be adjusted. For a single family home, the increase is \$1.28 per month. In spite of this increase, the monthly charge to a single family residence will continue to be among the lowest in the area. Indeed, only entities which receive property tax revenues will have lower charges.

The new fees are proposed to take effect October 1, 2001.

Public Hearing and Adoption of Budget

The purpose of the June 5, 2001 public hearing on the budget and related documents is to provide an opportunity for the Council to receive testimony on the budget and the 2001-02 Gann Appropriation Limit (Attachment D). As the Council will recall, the Gann Limit, or State Proposition 4 approved by California voters in November 1979, places limits on the amount of revenue that can be spent by government agencies. The limit is based on actual appropriations

during the 1978-79 fiscal year (the "base" year) and is increased each year using population and inflation growth factors. The City's recommended annual budget has been far below the limit each year, which is the case again for 2001-02.

At the conclusion of the June 5, 2001 public hearing, the Council is requested to provide direction to staff so that the necessary implementing budget resolutions can be prepared and presented for formal action on June 19, 2001.

Approved by:


Jesús Armas, City Manager

Attachments:

- A - Budget Message
- B - Budget Issues and Narrative Modifications
- C - Master Fee Schedule
- D - Gann Limit Information
- E - Five Year CIP Budget Message and Capital Project Expenditure Summary



CITY OF
HAYWARD
HEART OF THE BAY

May 11, 2001

Honorable Mayor and City Council:

Two years ago, the Council considered a two-year budget, the first in over a decade. As previously noted, consideration of a two-year operating budget yielded a number of benefits, not the least of which has been the ability to develop priorities over two years rather than the single-year period which had been the norm in recent years. In addition, substantial staff time was saved with respect to the preparation of a budget in the second year. These two factors have made the two-year operating budget a success for Hayward. Again, I applaud the Council for returning to a two-year format and I am pleased to submit a recommended budget for fiscal years 2001-02 and 2002-03.

Recent developments at the local, state and national level present a unique budgeting challenge. The stock market has been on a roller coaster ride, retirement nest eggs have been adversely impacted, "dot-coms" have boomed and busted, interest rates have declined and rolling blackouts are on everyone's mind. Yet, the economy appears to be maintaining course. For the moment, consumer spending continues, real estate values in the Bay Area remain healthy and unemployment remains relatively low—albeit changing daily in some sectors. Many economists believe that we will see an economic slowdown, but not a recession. For the most part, the budget presented herewith is predicated on this latter assumption. City revenues are assumed to continue to grow, but at a modest rate, and certainly less than the rate of growth experienced the last few years. The recommended enhancements rely on the assumption of moderate revenue growth and adhere to the Council's policy of matching current year expenditures with current year income. Most of the augmentations are to the City's General Fund, although other funds, such as the Water and Wastewater Funds, are affected as well. These changes are more fully discussed later in this message.

During this year's budget worksession, the Council discussed the state of the City's financial condition and received input from staff and members of the community. At the conclusion of the worksession, the Council provided direction to staff with regard to its priorities for the upcoming budget cycle. This two-year budget responds to these priorities.

TWO YEAR PRESENTATION FORMAT

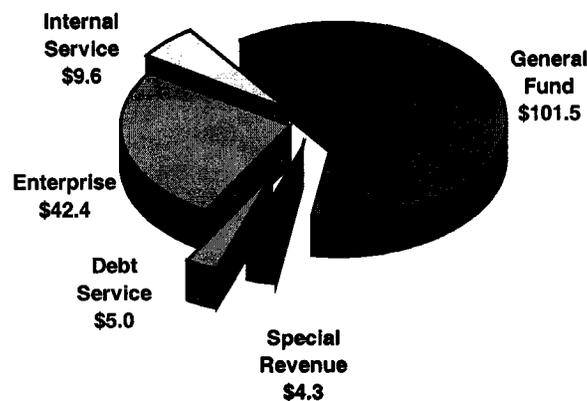
Although the recommended budget pertains to two fiscal years, in keeping with the Charter provision for an annual budget, the budget ultimately approved by the Council applies only to fiscal year 2001-02, with the second year considered a spending plan. However, it is this spending plan that will serve as the framework for the budget that will be presented to you next

Spring for formal action. As noted at the mid-year budget worksession, it is anticipated that the Council will consider very few changes to the fiscal year 2002-03 budget. Indeed, it is expected that the only changes to be entertained by the Council will be those that are due to unforeseen events or which concern significant new initiatives that cannot await consideration until the next two-year cycle. To do otherwise, (that is, to revisit second-year spending priorities) will defeat the purpose and efficiencies realized from the preparation of a two-year budget.

BUDGET OVERVIEW—2001-02

The recommended 2001-02 operating budget is a balanced spending plan totaling \$162.8 million for all funds. Of this amount, \$101.5 million is for the General Fund, \$42.4 million is for Enterprise Funds, \$9.6 million is for Internal Service Funds, \$4.3 million is for Special Revenue Funds, and \$5.0 million is for Debt Service Funds. The following chart illustrates the composition of the City's operating budget by fund type.

City of Hayward Operating Budget—All Funds
(\$ In Millions)



This message focuses primarily on the General Fund, as this is where most City's services are budgeted. By way of summary, the following table provides an overview of the total General Fund revenues and expenditures as recommended for 2001-02.

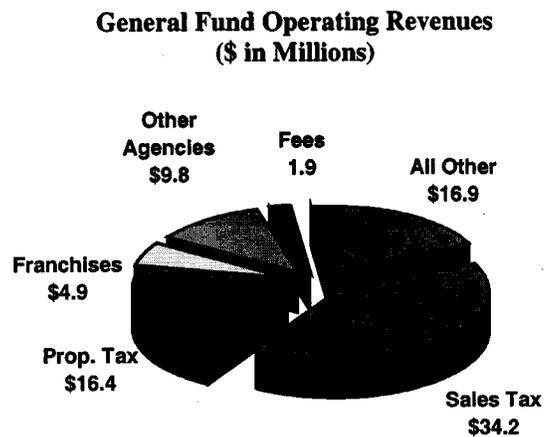
2001-02
General Fund
Revenues and Expenditures
(\$000's)

| | |
|------------------------|-----------|
| Revenues | \$ 84,098 |
| Expenditures | 81,750 |
| Transfers In | 19,321 |
| Transfers Out | 19,769 |
| Beginning Fund Balance | 21,537 |
| Ending Fund Balance | \$23,437 |

Not only are recurring General Fund expenditures in line with recurring revenues, but if estimated revenues are realized, the budget forecasts a surplus as well. Further, General Fund reserves have been maintained at the level as provided by Council policy. The purpose of the reserves is to provide the General Fund with additional resources during periods of economic uncertainty and to meet necessary liquidity requirements.

Revenue Estimates – Sources of Funds

General Fund revenues come from several sources, the most significant of which are Sales Tax and Property Tax. However, there are other important revenue sources for the General Fund, such as the Real Property Transfer Tax and the Motor Vehicle In-Lieu Tax. The chart below provides a quick overview of General Fund revenue sources.



Sales Tax. Sales tax revenue is estimated at about \$34.2 million for 2001-02. This represents an increase of approximately \$1.3 million (or 4%) over the most recent estimate for 2000-01. This growth rate is far less than the actual growth rate which this revenue has enjoyed over the past few years. However, in view of the economic uncertainties facing the state and Hayward, staff believes this is both a realistic and realizable growth factor. It will be important, as it is in any year, to carefully monitor this revenue source to determine if there are any signs of weakening. Should that become the case, then the issue will be addressed at the budget worksession early next year.

Property Tax. This revenue source continues to reflect both an active real estate market in terms of the number of sales and a market where values outpace inflation. At mid-year, property tax revenue was adjusted upward from the 2000-01 budget by approximately \$500,000. Staff believes that property tax will continue to show strong growth through 2001-02 and based on collections to date has increased the 2000-01 estimate by an additional \$200,000. A growth factor of 5% has been applied to the revised 2000-01 mid-year estimate to arrive at the 2001-02

revenue estimate. In view of the pace of real estate activity and preliminary estimates of assessed value growth, this growth rate is "cautiously optimistic".

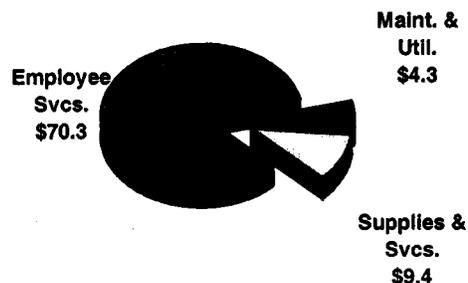
Other Sources. In general, other revenue sources are estimated to see some minor increases for 2001-02. Given the financial uncertainties discussed earlier, staff has been conservative in estimating the balance of revenues for the General Fund. One final note: The budget makes the assumption that the State will take no action that will place the Motor Vehicle In-Lieu at risk. While there is currently no legislation in process that would affect this critical revenue source, it is important to monitor the State's actions in this area.

Expenditure Projections – Use of Funds

The overall effect of continued but moderate revenue growth allows the City to maintain reserves, fulfill contractual obligations with regard to salary adjustments, and address other operating requirements.

The largest expenditure category for the General Fund is, of course, Employee Services. Given the fact that local government, including the City of Hayward, is a service provider, this is no surprise. Other expenditure categories include Maintenance and Utilities, Services and Supplies and Capital Expense. The pie chart, which follows, provides a quick overview of the relationship of these expenditure categories.

**General Fund Operating Expenditures
(\$ in Millions)**



Employee Related Costs. Personnel salary and benefit expenses comprise approximately 86% of the City's General Fund operating costs. For 2001-02, all negotiated salary and benefit increases are factored into the expenditure assumptions. In addition, fiscal year 2001-02 has an additional pay period or 27 pay periods versus the usual 26 pay periods. By the end of 2000-01, the City will have reserved \$2.5 million to be used in 2001-02 to fund this extraordinary expense. It should be noted that this is a timing event and City employees do not receive an "extra" pay period.

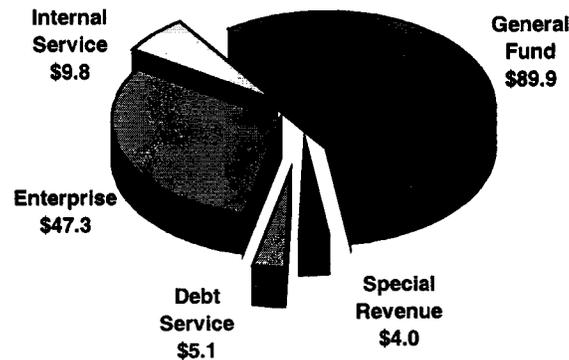
Non-Personnel Expenditures. The other primary expenditure categories, Maintenance and Utilities and Supplies and Services and Capital have been increased where necessary to meet contractual, mandated or otherwise unavoidable costs and where the maintenance of service levels requires the acquisition of specific goods or services. In addition, the budget provides funds in selected departments for efficiency improvements and to support efforts directed toward meeting the Council's programmatic priorities for the next year.

As previously stated, energy costs are a "wild card" from a budgeting standpoint. However, the budget which is submitted to you reflects known energy costs increases to date. For example, for the General Fund, costs are up approximately 34%, or about \$345,000 over last year, requiring an increase in funding. In order to reduce these expenses over the long term, \$50,000 have been earmarked to initiate various energy conservation measures. As well, staff intends to actively pursue funding from the state pursuant to recently adopted legislation.

BUDGET OVERVIEW—2002-03

The recommended 2002-03 operating budget is a balanced spending plan totaling \$156.1 million for all funds. Of this amount, \$89.9 million is for the General Fund, \$47.3 million is for Enterprise Funds, \$9.8 million is for Internal Service Funds, \$4.0 million is for Special Revenue Funds, and \$5.1 million is for Debt Service Funds. The following chart illustrates the composition of the City's operating budget by fund type.

City of Hayward Operating Budget—All Funds
(\$ In Millions)



By way of summary the following table provides an overview of the total General Fund revenues and expenditures as recommended for 2002-03.

General Fund

Revenues and Expenditures (\$000's)

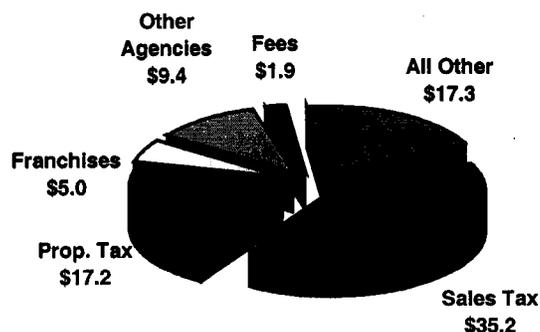
| | |
|------------------------|-----------|
| Revenues | \$ 85,985 |
| Expenditures | 83,840 |
| Transfers In | 4,442 |
| Transfers Out | 6,061 |
| Beginning Fund Balance | 23,437 |
| Ending Fund Balance | \$23,963 |

As is the case for 2001-02, recurring General Fund expenditures are in line with recurring revenues; a modest surplus is also projected. In addition, General Fund reserves have been maintained at the amount specified by Council, which is \$10.5 million.

Revenue Estimates – Sources of Funds

The chart below provides a quick overview of projected General Fund revenue sources for 2002-03.

General Fund Operating Revenues
(\$ in Millions)



Sales Tax. Sales tax revenue is estimated at \$35.2 million for 2002-03. This represents an increase of slightly more than \$1 million (or 3%) over the estimate for 2001-02. This growth rate reflects Council's direction provided at the mid-year budget session. It will be important, as it is in any year, to carefully monitor this revenue source to determine if there are any signs of weakening.

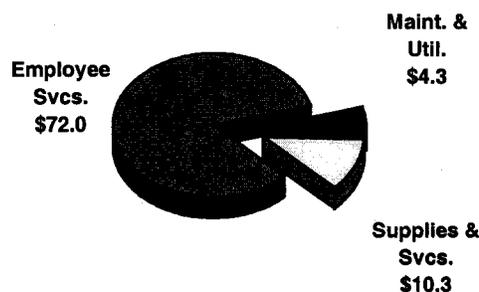
Property Tax. It is anticipated that property tax will continue to show strong growth in 2002-03. The revenue estimate for 2002-03 is up over 2001-02 by approximately \$800,000 or 5%. The key assumption for 2002-03 is that the Bay Area real estate market will continue to be active resulting in upward pressure on real estate values.

Other Sources. With respect to other revenue sources it is estimated that there will be maintenance of existing revenues with some growth in a few revenue categories. This approach reflects the fact that predicting revenues out two years carries a higher degree of risk, particularly in light of current economic circumstances.

Expenditure Projections – Use of Funds

Just as is the case in 2001-02, the largest expenditure category for the General Fund for 2002-03 is Employee Services. The pie chart, which follows, provides a quick overview of the relationship of all expenditure categories.

General Fund Operating Expenditures
(\$ in Millions)



Employee Related Costs. Salary and benefit increases for 2002-03 are based on known increases as contained in labor agreements or are consistent with increases authorized for 2001-02.

Non-Personnel Expenditures. The other primary expenditure categories, Maintenance and Utilities and Supplies and Services and Capital have been increased where necessary to meet contractual, mandated or otherwise unavoidable costs and where the maintenance of service levels requires the acquisition of specific goods or services. In addition, the budget provides funds in selected departments for efficiency improvements and to support efforts directed toward meeting the Council's programmatic priorities for the next year.

BUDGET HIGHLIGHTS AND COUNCIL PRIORITIES

This section presents an overview of the significant changes contained in this recommended budget. The items noted below reflect the Council's discussion and guidance provided to staff

earlier this year as part of the mid-year budget worksession. As this is a summary presentation, supplemental information has been provided to Council under separate cover.

Public Safety

The budget continues to reflect the Council's priority with regard to public safety issues. In recent years, the Council added a number of positions in the Police Department that are partially or fully funded with grants. As structured, these grants provide for declining revenue over a two or three year time period. As a result, if these positions are to be maintained, a greater burden is placed on the General Fund. Yet, failure to accept this funding responsibility would result in degradation of service and in the progress the City has made in making Hayward a safer community. Accordingly, the recommended budget maintains these positions by increasing the General Fund allocation in both years. Representing approximately \$1 million, a total of 10.5 positions are affected, as follows:

- Four Police Officers (Patrol)
- One Sergeant (Crime Prevention and Ambassador Program)
- One Officer/ .5 Counselor (Domestic Violence Unit)
- Two Officers/One CSO (School Traffic Safety Program)
- One Administrative Analyst II/ One Police Records Clerk (Crime Analysis Unit)

In addition to maintaining the aforementioned positions, the budget recommends the funding for new positions as well. In 2001-02, two officers and five community service officer positions are added to enable a neighborhood and school safety program to be initiated. The cost associated with this effort is offset through a combination of grant funding and parking citation revenue. Under this program, staff will be in a position to address traffic and safety issues in and around schools and neighborhoods, and also cause illegally parked vehicles to be towed away.

Other changes in 2001-02 include the addition of one detective position, the first such increase since 1986. The additional detective position will enable the department to respond to an increase in criminal activity, activity which is increasingly of a complex and sophisticated nature.

In 2002-03, the most significant change includes the addition of five police officers and one detective. The addition of the police officer positions continues implementation of a multi-year staffing plan approved by the Council a few years ago. At a cost of some \$500,000, the additional positions will enhance police presence in the community and increase patrol capabilities.

In the Fire Department, a Battalion Chief position is added in the first year to oversee the department's overall training effort. Net cost to the General Fund is nominal, as the addition of this position is accomplished by deleting an existing staff Captain position.

Service Level Enhancements

At the mid-year budget session, the Council discussed the possibility of increasing the hours of operation at the library. In response, the recommended budget proposes to open both facilities

longer than is presently the case. The Main will see an increase of four hours Thursday night, enabling the facility to remain open until 9:00 PM. At Weekes, a total of ten hours are added, enabling the branch to open two hours earlier on Wednesday, and remain open four hours later (until 9:00 PM) on Tuesday and Thursday. With this change, public service hours will be the same at both facilities. In the aggregate, the library system will be open a total of 112 hours per week versus the current level of 98 hours. The impact to the General Fund is approximately \$392,000 in the 2001-02 and \$407,000 in 2002-03. This augmentation results in the addition of 7.9 full time equivalent positions, including a Librarian II at Weekes. The other important change relates to the so-called book budget, where an additional allocation of \$50,000 per year is recommended.

In the area of development processing, the recommended budget includes the addition of two positions in the planning division (one Landscape Planner and one Assistant Planner), as well as a permit technician in building inspection. As noted in February, the quantity of land use applications filed with the City remains steady, and a few large applications are projected to be processed during the upcoming fiscal year. The addition of the two positions in planning is necessary to address the known and anticipated volume of activity. The permit technician position was authorized on an "overhire" basis this year and is key to meeting our commitment to review and act upon building permit applications within specified time periods. Costs associated with these positions are largely offset by permit fee revenue.

At the February worksession, staff noted it would be exploring ways to improve services to the neighborhoods. The recommended budget proposes the start of what staff is calling Neighborhood Partnerships. More information is provided elsewhere, but suffice it to say that the intent of this effort is to combine City resources with the talents of the residents themselves to improve the quality of life in the neighborhoods. A project manager and related clerical support is provided for this purpose, as are funds to initiate a tool-lending service. Total cost to the General Fund is \$128,000 in 2001-02, and \$133,000 in 2002-03.

In furtherance of the goal of improving the appearance of the City, the budget adds two field personnel in 2001-02 and one in 2002-03 to the landscape division to provide increased maintenance along the major thoroughfares and entrances into Hayward. Lack of staff in recent years has impaired our ability to maintain our gateways at a sustained and acceptable level, a condition that will be reversed with the addition of the recommended staff. The cost to the General Fund is about \$201,000 in year one and \$208,000 in year two.

Changes in state law, combined with increases in workload, result in recommended staffing changes in the animal control bureau. Specifically, funds are included to provide increased staffing at the shelter. The addition of two animal control attendant positions will enable staff to take better care of the animals and to better maintain the shelter itself. As a by-product, existing animal control officers (i.e., the field personnel) will be able to focus on patrol duties rather than split their time between doing work in the shelter and performing fieldwork.

New Initiatives

In a number of forums the Council has expressed the view that it is critically important to address the needs of young people. The recommended budget proposes a new effort in this

regard. Working in concert with the Hayward Area Recreation and Park District, a youth center is proposed to be established at Weekes Park. As you know, when the Weekes library reopens later this fall, the City will no longer need the structure that is serving as an interim branch. By continuing to lease this facility, though, the building can be put to an important use. Specifically, HARD proposes to allocate funds to program events and deliver services to youth at this location, if the facility is made available to it for this purpose. Although the specifics are still under development by HARD, the recommend budget includes funding for lease payments through both budget years.

From the standpoint of long term planning, the budget envisions two important initiatives. First, in the second year, staff proposes to work on the possible annexation of the Mt. Eden area. Also in the second year, in anticipation of a new redevelopment area, funds are included to develop a concept plan for the South Hayward BART station. Finally, existing redevelopment staff is proposed to be augmented with the addition of a project manager position in 2002-03, in recognition of the growth in overall responsibilities and focus for the Agency.

During the budget worksession, it was suggested that consideration be given to renewing our efforts at marketing Hayward as an attractive business location. The recommended budget includes \$100,000 in the Community and Economic Development Department to develop appropriate marketing material to showcase Hayward as a place to do business. This subject has been reviewed with the Economic Development Committee and EDC members offered many useful observations and important insight with regard to attainment of the overall goal. Staff will continue to work with the EDC in this regard.

At the budget worksession, numerous comments were offered in support of creating a hotel/conference facility in Hayward. If this is to become a reality, it may be necessary for the City to assume a proactive approach and not simply wait for interested parties to contact us. For such an effort to be successful, it may be necessary for the City to entertain financial participation in such a venture. Accordingly, the budget recommends that the Council reserve funds from projected surpluses at the end of the current year. Specifically, the Council is asked to consider reserving \$1,250,000. Reserving the funds does not equal spending the dollars. It does mean, however, that funding has been set aside in the event it becomes necessary to call upon such resources to make a hotel/conference facility a reality. Because the funds are only reserved, specific Council authorization would be required to expend such funds.

Information Technology

Over the past several months staff has been working on an Information Technology Work Plan. This work plan is comprehensive in scope and addresses numerous technology needs in the City. The work plan has been presented to the Council Technology Application Committee and the Committee unanimously supports its approval. Specific comments developed by the CTAC will be shared with the Council during your review of the budget. The work plan consists of one-time expenditures of approximately \$2.7 million and on-going costs of approximately \$465,000 per year. A copy of the work plan and its funding components has been provided to Council under separate cover.

Internal Efforts

As previously noted, training and development of City employees was curtailed as a result of prior budget reductions. This budget proposes the addition of a position (and related support funding) in Human Resources to restore this effort. By focusing on skill development and other technical training, employees will be better equipped to render service to the public.

Another casualty of the recession previously discussed with you concerns the Equipment Fund. This budget makes significant headway in addressing this condition. First, it is recommended that \$500,000 be reserved at year-end to be used next year to address a number of equipment needs, most notably replacing a number of older police vehicles. Second, the budget recommends the restoration of internal rates to both reflect actual costs and to replenish this fund to a level where it can support on-going replacement of older vehicles. In this regard, rates have been increased by \$700,000 in the first year and \$1,400,000 in the second. Lastly, a total of five fire apparatus are scheduled to be replaced over the next two years. Funding is accomplished through a combination of developer contributions and reuse of debt service capacity that will be retired within this timeframe.

Infrastructure

Although not a part of this budget presentation, it should be noted that pursuant to your direction, considerable effort is devoted to maintaining and upgrading the City's infrastructure. While more specific information may be found in the recommended Capital Improvement Program Budget, one particular item merits mention here. To implement the mandatory sidewalk repair program, it is necessary to add staff, and the recommended budget includes the addition of an Assistant Civil Engineer position in 2001-02. (While not a part of the general fund, new staffing has also been provided in the water and sewer funds, including a Utilities Maintenance Mechanic, a Groundskeeper II supporting Water Conservation, a Water Pollution Source Control Inspector and a Utilities Engineer.) To explore the viability of reestablishing the industrial assessment district, General Fund dollars have been transferred to the CIP budget to undertake this effort.

CLOSING REMARKS

I believe that 1999-2001 has been a good period year for the City. This next two-year budget contains many exciting projects and goals for the City. Several critical areas of the City's operations and service needs are addressed with additional funding, while at the same time keeping expenditures in check. The result is a budget, which I believe has necessary flexibility to survive an economic downturn. It is also a budget that I believe recognizes the objectives that Council has identified. We all look forward to working with Council to implement the many important projects contained in the budget and to continue to provide excellent customer service to Hayward residents.

I would be remiss if I did not acknowledge and thank all of the individuals who are instrumental in developing and producing this budget. The City of Hayward is fortunate to have a competent and dedicated staff and I extend my sincere thanks to those responsible for their efforts toward the completion of this budget.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jesús Armas". The signature is written in black ink and is positioned above the printed name and title.

Jesús Armas
City Manager

ATTACHMENT B

BUDGET ISSUES AND NARRATIVE MODIFICATIONS

During the budget work sessions, Council Members suggested that certain changes be made to the draft budget with respect to Program Descriptions, Objectives, etc. Staff requests that Council review the following information and provide direction to staff.

NARRATIVE MODIFICATIONS

Mayor and Council

Page 27 – Add 2000-01 Accomplishment:

1. Hosted the National League of Cities Public Safety and Crime Prevention Steering Committee two-day meeting in September, 2000.

Page 27 – Add to 2001-02 Objectives:

5. Provide leadership for the potential Hotel/Conference Center Project.
6. Provide leadership for marketing the City.

Police Department

Page 97 – Add to 2000-01 Accomplishments, Office of the Chief:

4. Presented a report on racial profiling to the City Council.

Community and Economic Development

Page 166 – Replace #3, 2001-02 Objective:

3. Initiate outreach and marketing effort which yields the attraction of three retail and two industrial/commercial businesses.



CITY OF HAYWARD
AGENDA REPORT

ATTACHMENT C

AGENDA DATE 05/29/01

AGENDA ITEM _____

WORK SESSION ITEM _____

TO: Mayor and City Council
FROM: Finance and Internal Services Director
SUBJECT: Master Fee Schedule For 2001-2003

RECOMMENDATION:

It is recommended that Council review and comment on the following report regarding proposed changes to the Master Fee Schedule for fiscal year 2001-03.

BACKGROUND/DISCUSSION:

Each year, staff reviews the Master Fee Schedule to ensure that the various fees and service charges are appropriate and within State Guidelines. A detailed review and analysis of the Master Fee Schedule was performed in conjunction with the upcoming two-year budget cycle, 2001-03. Based on this review staff is recommending fee changes for Police Services, Airport Services, Engineering Services, Community and Economic Development Services, Fire Services and Assessment Districts.

The recommendation contained in this document has been developed pursuant to applicable Government Codes and the City's fee recovery policy. For ease of reference, all fee changes to the Master Fee Schedule are in table form after the departmental narrative. The summary table gives a brief description of the item, current fee, proposed fee 2001-02, estimated fee 2002-03 and the average of what other cities charge for a similar service, where applicable.

The current fee represents the amount adopted by Council. The proposed fee is staff's recommendation for the fiscal years 2001-03 Master Fee Schedule. As with the Operating Budget, the recommended Master Fee Schedule pertains to two fiscal years. In keeping with the City Charter, however, Council will formally adopt the Master Fee Schedule on a fiscal year basis. The fees listed under Other Agencies are an average of the City of Oakland, City of San Leandro and City of Berkeley fees, where applicable. A complete copy of the current Master Fee Schedule is on file in the City Clerk's Office. The current Master Fee Schedule has all changes adopted by the Council during the current fiscal year, including cost of living adjustments to certain fees provided for by earlier Council action.

SUMMARY OF PROPOSED CHANGES

Police Services:

The animal control unit has the responsibility of enforcing the City's leash policy and encouraging pet-owners to control the animal population. When pets are found unattended in public those animals are impounded. The majority of these animals are unaltered. The unaltered impoundment fees are new fees and are being proposed to encourage pet-owners' to take responsibility for reducing the pet population and complying with the existing pet leash policy.

| Service Type: | Current Fee | Proposed FY2001-2002 | Estimated FY 2002-2003 | Other Agencies |
|---------------------------|-------------|-------------------------|---------------------------|----------------|
| Unaltered Impoundment | New | \$35.00 | \$35.00 | \$30.00 |
| 2 nd Violation | New | \$50.00 | \$50.00 | \$60.00 |
| 3 rd Violation | New | \$100.00 | \$100.00 | \$90.00 |

The adjustment to taxi driver permit and renewal fees reflects added costs for background investigations. The increase in costs are related to the Meagan's Law requirements, which includes statewide database access, personnel research time and related support services.

The livescan finger-printing is a new service and the proposed fee is recommended to recover the associated costs.

| Service Type: | Current Fee | Proposed Fee FY 2001-2002 | Estimated Fee FY 2002-2003 | Other Agencies |
|-----------------|-------------|------------------------------|-------------------------------|----------------|
| New Taxi Permit | \$24.00 | \$71.00 | \$71.00 | \$82.00 |
| Permit Renewal | \$24.00 | \$50.00 | \$50.00 | \$82.00 |
| Finger Printing | New | \$20.00 | \$20.00 | \$14.00 |

Airport Services

These fees are being adjusted in accordance with City policy. The policy states "Every other year (biennially) on odd numbered years (2001, 2003), all aircraft parking and storage charges for the ensuing 24 month period shall be adjusted proportionally upward 75 percent of the percentage increase in the All Urban Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose area."

The 24-month period CPI is 9.33 percent. Seventy-five percent of the CPI is 7.00 percent. Staff multiplied each current rate by 7% and rounded the results to the nearest dollar.

| Service Type | Current Fee | Proposed Fee FY 2001-2002 | Estimated Fee FY 2002-2003 | Other Agencies |
|---------------------|-------------|------------------------------|-------------------------------|----------------|
| Row "A" Hanger | \$174.00 | \$186.00 | \$186.00 | Per Agreement |
| T-Hanger | \$234.00 | \$260.00 | \$260.00 | Per Agreement |
| Large T-Hanger | \$357.00 | \$382.00 | \$382.00 | Per Agreement |
| Executive Hanger | \$758.00 | \$811.00 | \$811.00 | Per Agreement |
| Small Storage | \$50.00 | \$54.00 | \$54.00 | Per Agreement |
| Medium Storage | \$65.00 | \$70.00 | \$70.00 | Per Agreement |
| Large Storage | \$124.00 | \$133.00 | \$133.00 | Per Agreement |
| X-Large Storage | \$159.00 | \$170.00 | \$170.00 | Per Agreement |

Engineering Services

The new fees are related to the Sidewalk Rehabilitation Program. The program fee structure is \$425.00 for a single-family residential lot, \$425.00 for a multi-family residential with one or two damaged locations and \$425.00 per each additional damaged location. These fees were adopted by Council in connection with the Sidewalk Rehabilitation Program and accordingly are being incorporated into the Master Fee Schedule.

| Service Type: | Current Fee | Proposed Fee FY 2001-2002 | Estimated Fee FY 2002-2003 | Other Agencies |
|---|-------------|------------------------------|-------------------------------|---------------------------------|
| Single Family Residential Lots | New | \$425.00 | \$425.00 | Cost based on linear Footage |
| Multi-Family with 1 or 2 Damaged Locations | New | \$425.00 | \$425.00 | Cost based on linear Footage |
| Additional Locations | New | \$425.00 | \$425.00 | Cost based on linear footage |

Community & Economic Development

There are several changes proposed for this area of Master Fee Schedule. One of the key recommendations is to adopt Table Number 1A of the Building Code to establish fees for building permits. In 1994 the City partially adopted Table Number 1A of the Building Code, but indicated that where the City's fee schedule conflicted with Table 1A then the City schedule would take precedence. As a result the City's fees have remained static while Table 1A has been updated on a regular basis to reflect cost increases over time. Staff is recommending that Table 1A of the Building Code be adopted with out restriction. This will place the City on the same basis as many other cities in the Bay Area and assures that construction costs are current and

construction valuations are objectively computed. Table 1A information follows. Please note when reading the table that the fee consists of a base amount plus an amount for each thousand dollars of valuation over the base amount. For example in the tier \$2,001-\$25,000 the current fee is \$45.00 plus \$9.00 for every thousand dollars over two thousand dollars.

Table 1A of the Building Code

| Service Type | Current Fee | Proposed Fee FY 2001-2002 | Estimated Fee FY 2002-2003 | Other Agencies |
|-----------------------------|---------------------|------------------------------|-------------------------------|----------------|
| Building Permits: | | | | |
| \$1.00 to \$500.00 | \$15.00 | \$23.50 | \$23.50 | Standard Table |
| \$501.00 to \$2,000.00 | \$15 + \$2.00 | \$23.50 + \$3.05 | \$23.50 + \$3.05 | Standard Table |
| \$2,001.00 to \$25,000.00 | \$45 + \$9.00 | \$69.50 + \$14.00 | \$69.50 + \$14.00 | Standard Table |
| \$25,001 to \$50,000.00 | \$250.00 + \$6.50 | \$391.25 + \$10.10 | \$391.25 + \$10.10 | Standard Table |
| \$50,001 to \$100,00.00 | \$141.50 + \$4.50 | \$643.75 + \$7.00 | \$643.75 + \$7.00 | Standard Table |
| \$100,001 to \$500,000.00 | \$639.50 + \$3.50 | \$993.75 + \$5.60 | \$993.75 + \$5.60 | Standard Table |
| \$500,001 to \$1,000,000.00 | \$2,039.50 + \$3.00 | \$3,233.75 + \$4.75 | \$3,233.75 + \$4.75 | Standard Table |
| Over \$1,000,000 | \$3,539.50 + \$2.00 | \$5,608.75 + \$3.15 | \$5,608.75 + \$3.15 | Standard Table |

Except for a few revised existing fees the balance of the recommended fee changes for Community and Economic Development are new fees. The new fees range from a charge for accelerated plan checks to penalties for missed inspections. In general, the new fees streamline the Master Fee Schedule. For example, the new fee for Building Permit, swimming pool, spa includes building, electrical, mechanical and plumbing work. In other cases, the fee is changed to a more effective schedule by charging by the square foot for electrical work as opposed to the number of individual electrical circuits. In terms of amounts charged the new fees range from \$100 to \$500. In one case the fee is two times the permit fee and others 12% of the permit fee or an hourly rate.

One fee that might require additional explanation is the Investigation fee, permit not yet obtained. It is not unusual for an Inspector to be called to a site and find that work is proceeding, but a permit has not been issued. When the permit is obtained the fee for the first or investigation visit is twice the permit fee. This fee conforms to State law.

In a similar manner there is a new fee, Code violation, illegal projects. This fee charges \$86 per hour to recover costs in situations where a permit will not ultimately be issued. An example would be a garage conversion, which regardless of construction quality, would not be permitted.

| Service Type | Current Fee | Proposed Fee FY 2001-2002 | Estimated Fee FY 2002-2003 | Other Agencies |
|--|--------------------|-----------------------------------|-----------------------------------|--------------------------------------|
| Plan review fee and 2 back checks | 100% of permit fee | 65% of permit fee | 65% of permit fee | Varies |
| Additional plan checks | New | \$86.00 per hour | \$86.00 per hour | Time & Materials |
| Accelerated plan review | New | \$125.00 per hour minimum 4 hours | \$125.00 per hour minimum 4 hours | Range of \$384.00 to 460.00 |
| New residential construction | Vary | \$0.08 per square foot | \$0.08 per square foot | Various Fees |
| Electrical all circuits | \$7.50 to \$27.50 | \$0.10 per square foot | \$0.10 per square foot | Various Fees |
| Building permit for swimming pool, spa | New | \$300.00 | \$300.00 | Range of \$432.00 to \$618.00 |
| Residential outdoor spa | New | \$100.00 | \$100.00 | Range of \$63.00 to \$618.00 |
| Other than single family home | New | \$500.00 | \$500.00 | Range of \$104.00 to \$825.00 |
| Investigation Fee, permit not yet obtained | New | 2 times permit fee | 2 times permit fee | Direct Cost |
| Filing notice of substandard structure | New | \$100.00 | \$100.00 | Range of \$98.00 to \$170.00 |
| Lifting of substandard notice | New | \$100.00 | \$100.00 | Range of \$98.00 to \$170.00 |
| Posting of hazardous structure notice | New | \$100.00 | \$100.00 | Range of \$98.00 to \$170.00 |
| Title 24 (ADA) plan checks | New | 12% of permit fee | 12% of permit fee | Percent of permit |
| Plan check for energy compliance | Revised | 12% of permit fee | 12% of permit fee | Percent of permit |
| Code Violation Illegal Projects | New | \$86.00 | \$86.00 | Range of \$57.00 to \$85.00 |
| Missed preservation Inspection | New | \$53.00 plus \$53.00 penalty | \$53.00 plus \$53.00 penalty | \$110.00 |
| Missed zoning or other inspection | NEW | \$94.00 plus \$94.00 penalty | \$94.00 plus \$94.00 penalty | Total Costs |

| Service Type | Current Fee | Proposed Fee FY 2001-2002 | Estimated Fee FY 2002-2003 | Other Agencies |
|--------------------------------------|-------------|------------------------------|-------------------------------|----------------|
| CED hourly charge for abatement | New | \$40.00 per hour | \$40.00 per hour | Total Costs |
| Attorney hourly charge for abatement | New | \$82.00 per hour | \$82.00 per hour | Total Costs |
| Penalty to file lien (per parcel) | New | \$500.00 | \$500.00 | Total Costs |

Fire Services

The fire prevention fees are being changed to reflect the current \$133.00 fire services hourly rate for each inspection service. Additionally, staff has restructured the fee schedule to better match costs with the service type.

When the City became a Certified Unified Program Agency (CUPA) in 1997, it adopted the existing hazardous waste generator fee structure used by the County of Alameda. The County fees in 1996 were based on the number of employees, who handled business waste materials. There were 7 different fee levels, which ranged from \$191.00 per year to \$1,989.00 per year. However, the number of employees as a basis for generator fees did not correlate with the amount of business hazardous waste generated or the time required to complete a hazardous waste generator inspection. In view of this information staff is proposing that the current fee structure be deleted from the current Master Fee Schedule and be replaced with items noted below.

| Service Type: | Current Fee | Proposed Fee FY 2001-2002 | Estimated Fee FY 2002-2003 | Other Agencies |
|--|----------------------------------|------------------------------|-------------------------------|----------------------------|
| Plan check for fire protection | \$180.00 per application | \$266.00 per application | \$266.00 per application | Percent of building permit |
| Additional time for plan check | \$100.00/hour | \$133.00 hour | \$133.00 hour | \$160.00 per hour |
| New fire sprinkler system | \$0.95/head or \$332 application | \$399.00 | \$399.00 | \$440.00 |
| <i>Alteration/Repair /or improvement</i> | | | | |
| Less 30 heads | \$133.00 | \$133.00 | \$133.00 | Vary |
| 30 to 300 heads | \$0.95 per head | \$266.00 | \$266.00 | Vary |
| 301 or more | \$0.95 per head | \$0.95 per head | \$0.95 per head | Vary |
| Underground fire prevention | \$266.00 | \$399.00 | \$399.00 | Vary |
| Emergency underground repairs | New | \$266.00 per application | \$266.00 per application | Actual Costs |

| Service Type | Current Fee | Proposed Fee FY 2001-2002 | Estimated Fee FY 2002-2003 | Other Agencies |
|------------------------------|-------------------------|------------------------------|-------------------------------|-------------------------|
| <i>Fire alarm system</i> | | | | |
| Less 8 devices | \$332.00 | \$133.00 | \$133.00 | \$145.00 |
| 8 to 24 devices | \$332.00 | \$266.00 | \$266.00 | \$240.00 |
| 25 to 49 devices | \$332.00 | \$399.00 | \$399.00 | \$240 + \$0.55 per head |
| 50 or more devices | \$332.00 | \$532.00 | \$532.00 | \$240 + \$0.55 per head |
| Lock box fee | \$64.00 | \$75.00 | \$75.00 | Not Listed |
| Combustible fiber storage | \$125.00 | \$133.00 | \$133.00 | \$188.00 |
| <i>High-piled Stock</i> | | | | |
| Less than 12,000 square feet | \$200.00 | \$200.00 | \$200.00 | Direct Labor |
| 12,000 or more square feet | \$200.00 | \$299.00 | \$299.00 | Direct Labor |
| Required State Inspections | \$200.00 per inspection | \$266.00 per inspection | \$266.00 per inspection | \$65.00 per hour |

The revised fee structure is determined by the quantity of hazardous waste generated. The State of California and Federal Government recognize three classes of generators which, are conditionally exempt small quantity generators, small quantity generators and large quantity generators. The revised fee schedule is based on the State and Federal generator classes. The proposed changes redistribute the program costs among the hazardous waste generator classes in a more equitable manner.

The California Accidental Release Plan is a pass-through fee which is mandated by the State of California CUPA program.

| Service Type | Current Fee | Proposed Fee FY 2001-2002 | Estimated Fee FY 2002-2003 | Other Agencies |
|--|----------------------|------------------------------|-------------------------------|----------------|
| <i>Certified Unified Program Agency Fees</i> | | | | |
| CUPA Oversight | \$18.50 per Facility | \$10.00 per Facility | \$10.00 per Facility | State Fee |
| Permit by Rule | \$498.00 | Delete | Delete | Per State |
| Conditional Authorization | \$498.00 | Delete | Delete | Per State |
| Conditional Exemption | \$20.75 | Delete | Delete | Per State |

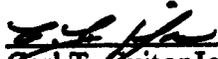
| Service Type | Current Fee | Proposed Fee FY 2001-2002 | Estimated Fee FY 2002-2003 | Other Agencies |
|--|-------------------|------------------------------|-------------------------------|----------------|
| <i>Hazardous Waste Generator Program</i> | | | | |
| 0 to 4 Employees | \$191.00 per year | Delete | Delete | \$191/year |
| 5 to 9 Employees | \$221.00 Per year | Delete | Delete | \$221/year |
| 10 to 19 Employees | \$441.00 per year | Delete | Delete | \$441/year |
| 20 to 49 Employees | \$662.00 per year | Delete | Delete | \$662/year |
| 50 to 99 Employees | \$884.00 per year | Delete | Delete | \$884/year |
| 100 to 499 Employees | \$1,326.00/year | Delete | Delete | \$1,326/year |
| 500 or more Employees | \$1,989.00/year | Delete | Delete | \$1,989/year |
| Up to 27 Gallons, 220lb per month | New | \$89.00 year | \$89.00 year | Not Listed |
| 27 to 270 Gallons, 220- 2,220lbs | New | \$191.00 year | \$191.00 year | Not Listed |
| 270 Gallons, 2,220lbs or more | New | \$464.00 year | \$464.00 year | Not Listed |
| California Accidental Release Plan | New | \$105.00 per Facility | \$105.00 per Facility | Not Listed |

Assessment Districts

Assessment district fees are adjusted annually by the San Francisco Bay Area consumer price index, which is 3.5 percent.

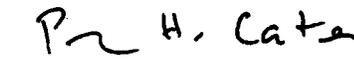
| Service Type | Current Fee | Proposed Fee FY 2001-2002 | Estimated Fee FY 2002-2003 | Other Agencies |
|-------------------------------------|-------------|------------------------------|-------------------------------|----------------|
| <i>Assessment District Fees</i> | | | | |
| Establishment Fee | \$2,522.00 | \$2,610.00 | \$2,701.00 | Per Bond Terms |
| Annual Administration Fee | \$2,400.00 | \$2,484.00 | \$2,571.00 | Per Bond Terms |
| Bond Call Fee | \$245.00 | \$254.00 | \$263.00 | Per Bond Terms |

Prepared by:



Carl T. Guiton Jones, Auditor

Recommended by:



Perry Carter, Finance Director

Approved by:

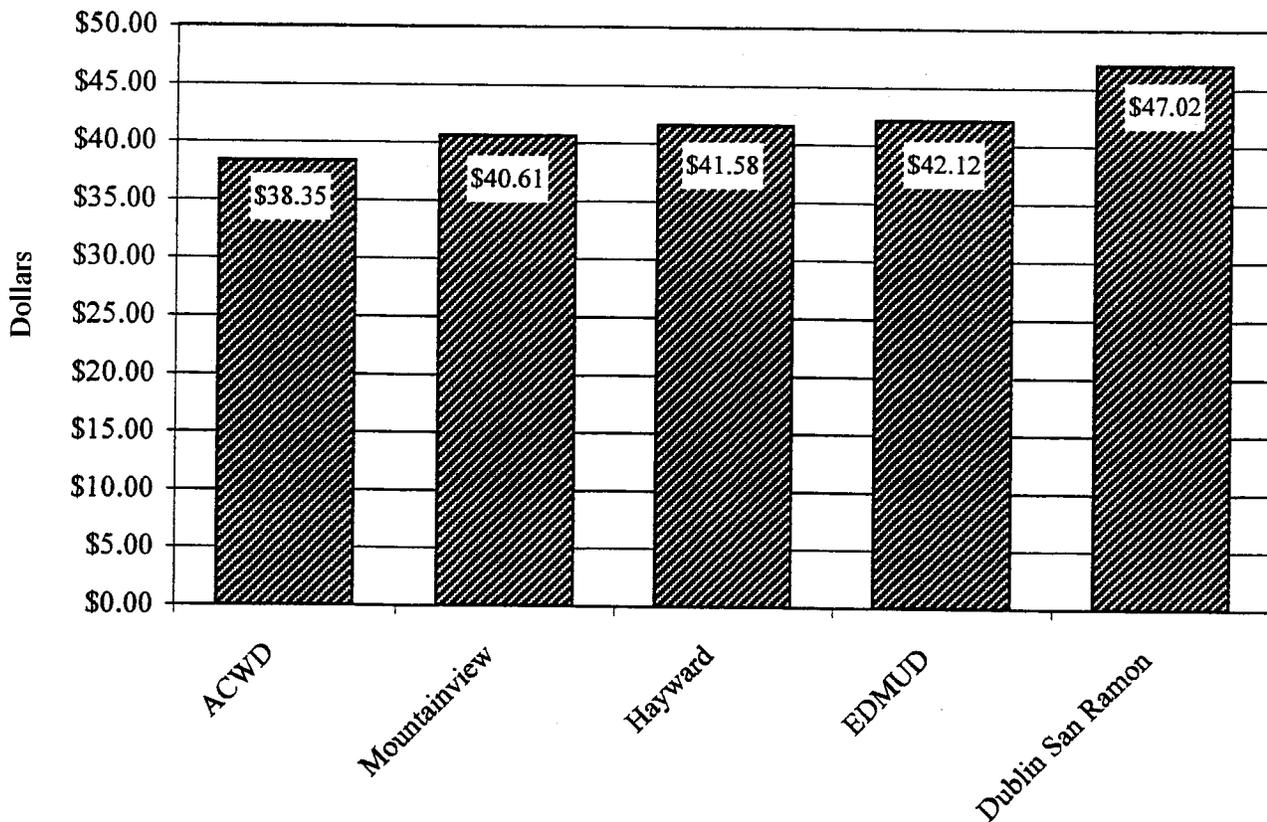


Jesús Armas, City Manager

COMPARISON OF LOCAL AGENCIES PROPOSED 2001-02 BI-MONTHLY WATER BILL FOR A TYPICAL SINGLE-FAMILY RESIDENCE

| Bi-Monthly Water Consumption | Current Rate | Proposed Rate |
|---|----------------|----------------|
| 0-20 ccf (0-250 gallons per day) | \$1.65 | \$1.82 |
| Over 20 ccf | \$1.95 | \$2.12 |
| <hr/> | | |
| Average water consumption charge for a single-family residence (19 ccf) | \$31.35 | \$34.58 |
| Meter Service Charge | <u>\$ 7.00</u> | <u>\$ 7.00</u> |
| Total bill for two months | \$38.35 | \$41.58 |

Note: One ccf is the equivalent of 748 gallons

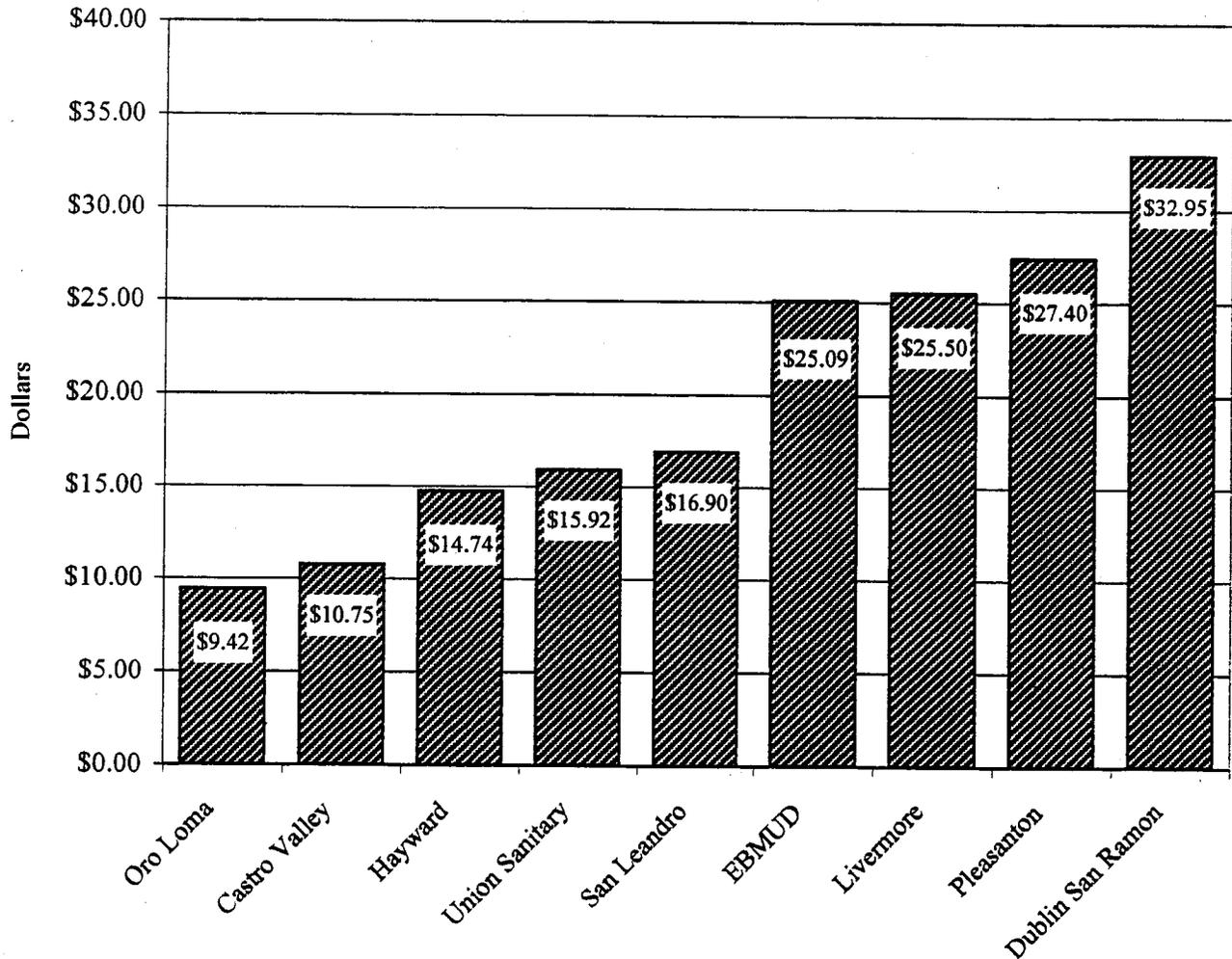


Rates based on 1,900 cubic feet bimonthly water consumption
(237 gallons per day)

COMPARISON OF LOCAL AGENCIES PROPOSED 2001-02 MONTHLY SEWER BILLS FOR A TYPICAL SINGLE-FAMILY RESIDENCE

| Service | Existing Monthly Sewer Service Charge | Proposed Monthly Sewer Service Charge (Effective October 1, 2001) |
|--|--|---|
| Single-Family Home | \$13.46 | \$14.74 |
| Duplex, Triplex, Fourplex | \$13.46 | \$14.74 |
| Multi-Family Unit | \$11.98 | \$13.11 |
| Mobile Home | \$9.43 | \$10.31 |
| Economy Rate (10 ccf/billing period)* | \$8.95 | \$9.29 |
| Lifeline Rate (5 ccf/billing period)* | \$4.47 | \$4.65 |

*One ccf is the equivalent of 748 gallons



**CITY OF HAYWARD
2001-02 GANN APPROPRIATION LIMIT**

As the result of calculations performed based on applicable state law and the recommended 2001-02 operating and capital budgets for the City of Hayward, the City's 2001-02 Gann Appropriation Limit is

\$161,411,938

The appropriations subject to the Gann Limit total

\$67,280,611

For 2000-01, the City of Hayward is thus under the Gann Appropriation Limit by

\$94,131,327

The material documenting the manner in which the Appropriation Limit was calculated is available from the Director of Finance and Internal Services.



CITY OF
HAYWARD
HEART OF THE BAY

May 3, 2001

Honorable Mayor and City Council:

This letter serves to transmit the Five-Year Capital Improvement Program (CIP) for your consideration. The City Council will review this document during a work session in late May 2001. Beforehand, both the Planning Commission and Council CIP Committee will have reviewed the document and developed their comments for your consideration.

As in previous years, an overview of program changes can be gained by scanning the project changes and modifications section beginning on page 10. For a more detailed review, including project justifications, please refer to the project description and expenditures forms. This year, in recognition of the importance of responding to needs of pedestrians and not simply the automobile, a new project category called Livable Streets has been identified. The tabbed Livable Streets section contains a listing of a variety of projects in this regard.

Given the Council's decision relative to developing a two-year operating budget, this CIP budget has been developed in accordance with this policy direction. Although the CIP still presents a five-year planning document, it was developed with the expectation that next year - the second year of the two-year budget process - there will be an abbreviated review by the City Council and, except for unusual circumstances, no new projects will be added.

As an older and increasingly urban city, Hayward continues to address many challenges with regard to the condition of its public facilities, roads, sidewalks, and public utilities. The City's ability to attend to such facilities is, of course, dependent upon the receipt and availability of sufficient revenues for these purposes. As you will observe during your review of this document, funds of a restricted and unrestricted nature are proposed to be earmarked to address many of the aforementioned needs. With regard to the unrestricted funds, the principal source of income is a transfer of funds from the general fund. Moreover, the ability to earmark general fund dollars is largely predicated on a healthy economy. Because the local economy continues to grow - albeit at a slower pace - this document reflects significant general fund transfers during the next two years.

I wish to draw your attention to several projects reflected in this budget that are made possible as a result of general fund transfers. Added funding in 2001-02 provides for completion of the Emergency Operations Center and for relocation of the Police and Fire Communications Center to

DEPARTMENT OF PUBLIC WORKS
ENGINEERING & TRANSPORTATION DIVISION

777 B STREET, HAYWARD, CA 94541-5007

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the second floor of the Police Building. This latter project will free up badly needed space for the Police Department. Also, new projects are added in 2001-02 to rebuild the driveway and apron for Fire Station 2 and for specific upgrades at Centennial Hall. Funding is provided in 2001-02 to assess if the Industrial Assessment District should be reinitiated. In an effort to further improve landscaping citywide, several new projects have been added. Median landscape improvements are proposed for Tennyson Road in 2001-02, "A" Street in 2002-03, Jackson Street in 2003-04, and the South Mission Greenway in 2001-02 and 2002-03.

As you were briefed earlier this year, the five-year program includes a revised and expanded sidewalk rehabilitation program. Using previously allocated funds, as well as \$5 million of the LAVWMA funds received this past year, plus interest and resident participation, a total of \$8 million will be expended for sidewalk rehabilitation over the next five years. This is a very significant increase compared to the approximate \$2 million allocated in the last five-year program.

This budget also includes a significant increase in funding for street maintenance as a result of the reauthorization of Measure B with its increased funding for local transportation, as well as the Governor's Traffic Congestion Relief Program, and the remaining \$2.9 million in LAVWMA funds. Over the next five years, the City will receive \$8.7 million from Measure B; and including funds received this year, \$2.3 million from the Governor's Traffic Congestion Relief Program. Last year's CIP included over \$14 million in funding over five years from all sources for patching, overlay, and slurry seal. This CIP increases that total by \$9 million over the five-year program to a total of \$25 million. The portion of this increase resulting from the LAVWMA funds have been allocated to address some of our worst local city streets that have deteriorated to the extent that some form of reconstruction is necessary.

The reauthorization of Measure B also provides an opportunity to make our streets more livable and welcoming through its Non-Motorized Fund for pedestrian and bicycle improvements. Beginning in 2002-03, the capital program assumes that \$320,000 per year will be received under this category. A new, annual project has been established that can be used for pedestrian and bicycle improvements, such as lighted crosswalks, pedestrian countdown clocks, larger pedestrian signal buttons, new or improved bike routes, and construction of new sidewalks, curbs, and gutters on critical pedestrian routes.

Based on the draft Airport Master Plan, new projects have been added, such as constructing a transient helipad and a new exit taxiway, installing runway end identifier lights, and continuing preparations for the construction of new executive hangars. The program assumes new and expanded projects will be partially funded through a \$2.5 million interfund loan and a \$775,000 low interest loan from the State Airport Fund, as well as FAA grant funding, where appropriate.

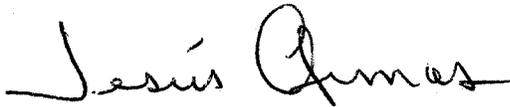
A continuing area of concern raised by Council during recent budget reviews relates to improvements to the City's public infrastructure. This is addressed through increased funding for major sewer and water system projects that have been identified in recent draft updates to the Sewer and Water System Master Plans. In order to finance these necessary repairs and improvements, the budget assumes a continuation in the rate of new development and resulting revenue derived from sewer connection charges and water facility fees. In the Sewer Capital Improvement Fund, a total of

\$13.8 million of Sewer Revenue Bond borrowing is necessary to finance major projects at the Water Pollution Control Facility (WPCF), in order to meet projected flow and discharge requirements, as well as to improve reliability. Major new projects at the WPCF include a \$7.2 million project to construct two New Final Clarifiers, \$3.6 million for two Dissolved Air Flotation Thickeners, and \$2.2 million for two new Solids Contact Tanks. A new project to study the feasibility of using recycled water for major landscaping needs has been added in consideration of the future water needs of the City and possible alternatives to using potable water for all landscaping. Although not a part of the CIP, additional changes may occur at the plant based on final decisions relative to the Russell City Energy Center.

In the water system funds, significant new projects include flow controls on our two Hetch-Hetchy aqueducts, pressure regulator stations between the 1285 and 1000 zone and the 750 and 500 zone, as well as a project to seismically retrofit all major water mains that cross the Hayward fault. These new water system projects will serve to improve water quality, provide flexibility to meet emergency needs, and allow the City to be better prepared for a major earthquake. In the Water System Capital Improvement Fund, \$1.8 million in four-year short-term interfund borrowing from the water system operating fund is proposed to help finance these projects.

Finally, attached to this letter is a summary of the key assumptions (Attachment A) that were used in preparing the Five-Year CIP. The staff and I look forward to discussing projects and issues embodied in this capital plan.

Respectfully submitted,



*Jesús Armas
City Manager*

Attachment A - Assumptions

ATTACHMENT A

2001-2002 Five-Year Capital Improvement Program Working Assumptions

1. *Interest Rates:* *Rate of return on existing fund balances - 5% per year.
Projected interest rate on City borrowing, based on current market
information - 5% per year.*
2. *Construction Inflation Rate: 4% per year.*
3. *Anticipated revenue from the existing Measure B program is \$930,000 for the current year.
Based on projections provided by the Alameda County Transportation Authority for both the
existing and reauthorized Measure B programs, \$1,040,000 is assumed in 2001-02, and
revenues are estimated at \$1,920,000 per year in 2002-03 through 2005-06.*
4. *Monies received from the Measure B Non-Motorized Fund for pedestrian and bicycle
improvements are assumed to be \$40,000 in 2001-02, and \$320,000 per year in 2002-03
through 2005-06.*
5. *Monies received from the Governor's Traffic Congestion Relief Fund have also increased
revenues for street maintenance projects. Revenue for the current year is \$924,000 and
anticipated revenue is \$247,000 in 2001-02, \$249,000 in 2002-03, \$267,000 in 2003-04,
\$291,000 in 2004-05, and \$317,000 in 2005-06.*
6. *Monies received from Gas Tax have been escalated at about 1.5 percent per year through
2005-06, and transfers to the General Fund from the Gas Tax Fund to support eligible
expenditures have been projected to increase at one percent per year.*
7. *Monies received from Proposition 111 (Gas Tax) have also been escalated at 1.5 percent per
year through 2005-06.*
8. *General Fund transfers to the Capital Improvement Fund totaling \$2,320,000 are assumed over
the next three years.*
9. *The \$7.9 million (including interest) from LAVWMA funds are assumed to be transferred to the
Street System Improvement Fund for sidewalk rehabilitation and pavement reconstruction.*
10. *Although not shown as a specific project since PG&E will do the work, use of an estimated
\$6,000,000 in Rule 20A monies allotted to the City will allow for completion of the
undergrounding of utilities on Mission Boulevard from Sycamore Avenue to Arrowhead Way.
Based on Rule 20A allocations to date, it is projected that this will use our allocation through
the year 2002. Funding and timing for this project will be influenced by PG&E's financial
situation.*

Assumptions 2001-2002 (continued)

11. *Transfers of Gas Tax Fund monies to the General Fund are assumed in the amount of \$1,227,000 in 2001-02, and increasing to \$1,277,000 in 2005-06.*
12. *As part of the Sidewalk Rehabilitation Program, transfers of \$270,000 per year in 2001-02 and 2002-03, decreasing to \$240,000 per year in 2003-04 through 2005-06, are assumed from the Route 238 Trust Fund.*
13. *The scheduled payback of the \$1,232,000 loan made by the Water Capital Improvement Fund to finance the preliminary design of the Industrial Assessment District (IAD) is assumed to occur in 2001-02. The repayment will be made from the General Fund.*
14. *Continuation of the \$350,000 per year transfer from the General Fund to the Transportation System Improvement Fund in 2001-02 through 2005-06 will provide funding for transportation projects. An additional \$50,000 will be transferred in 2001-02 to fund a Local Traffic Calming Study.*
15. *An annual transfer of \$320,000 from the General Fund to the Street Lighting Fund, based on savings from the purchase of the streetlight system, is assumed to continue. The transfer will fund debt service through the year 2008, and fund the continuing need to purchase new and replacement lights when required for safety and security.*
16. *Planned transfers from the sewer and water operating funds to the capital funds allow critical capital projects identified in the draft Sewer and Water System Master Plan Updates, plus the Water and Sewer Seismic Study, to be accomplished.*
17. *Funding for Airport Capital Improvement Projects identified in the draft Airport Master Plan is provided by continuing transfers from the Airport Operation Fund, a \$2,500,000 interfund loan from the Water System Capital Improvement Fund, and from a low interest State Airport Fund Loan of \$775,000.*
18. *The Program reflects expected cash flow in future program years and Council appropriations carried forward in the current year.*

FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM

| CAPITAL PROJECT EXPENDITURE SUMMARY | | | | | | |
|--|----------------|---------------|---------------|---------------|---------------|---------------|
| PROJECT DESCRIPTION | PROJECT TOTAL | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 |
| Livable Streets | 13,132 | 3,497 | 2,626 | 2,747 | 2,161 | 2,101 |
| Road & Street Projects | 37,228 | 16,041 | 7,442 | 4,605 | 4,519 | 4,621 |
| Building Projects | 2,957 | 2,134 | 554 | 48 | 32 | 35 |
| Landscaping and Park Projects | 358 | 168 | 38 | 57 | 38 | 57 |
| Equipment Acquisition | 55 | 27 | 28 | 0 | 0 | 0 |
| Sewer System Projects | 52,085 | 8,119 | 26,030 | 2,041 | 4,935 | 10,960 |
| Water System Projects | 22,001 | 4,405 | 8,140 | 6,175 | 2,081 | 1,200 |
| Airport Projects | 9,219 | 4,117 | 2,004 | 620 | 1,026 | 1,452 |
| TOTAL CAPITAL EXPENDITURES | 137,035 | 38,508 | 46,862 | 16,293 | 14,792 | 20,426 |
| <p>NOTE: Expenditure amounts do not include reimbursements or transfers between funds, or vehicle replacements and operating/maintenance expenses. All expenditures expressed in \$1,000's. Additionally, these totals do not reflect payment of debt service.</p> <p>See Capital Projects by Category charts for more detail.</p> | | | | | | |